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Public Advocates Officeâ€™s Comments on (BUILD) Program Implementation Plan

Additional submitted attachment is included below.

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August 7, 2020

California Energy Commission
1516 Ninth Street
Sacramento, CA 95814

Subject: **Public Advocates Office's Comments on the Building Initiative for Low Emissions Development (BUILD) Program Implementation Plan**

INTRODUCTION

The Public Advocates Office at the California Public Utilities Commission (Cal Advocates) appreciates the opportunity to submit comments on the Building Initiative for Low Emissions Development (BUILD) Program Implementation Plan (Plan) to the California Energy Commission (CEC). We offer recommendations below on program eligibility, incentives, and caps.

1. ELIGIBILITY

a. The CEC should include a more specific definition of eligible low-income residential housing in the Plan.

A significant portion of BUILD funding is specifically allocated to new low-income housing. However, the Plan's definition of low-income residential housing is overly broad and should be defined more narrowly. As written, the Plan requires that multifamily homes meet one of the following conditions to qualify: a) the property must be located in a disadvantaged or low-income community or b) at least 80% of households living in a building must have incomes at or below 60% of the area median income (AMI). However, these two options create very different pools of eligible households.[1] The broad definitions of disadvantaged and low income cited in

[1] Analysis conducted using CARE eligibility data from monthly Low Income Reports submitted to the CPUC Low Income Oversight Board and American Community Survey data shows that defining a low-income community based on household income level (CARE eligibility) instead of based on household income at or below 60% of AMI would result in a shift of eligible participants away from coastal, urban areas (e.g. San Francisco Bay Area, the greater Los Angeles Area) to other communities throughout the state. When analyzed at the county level, approximately 350,000 more households in these other communities would be eligible using CARE eligibility rather than percent of AMI.

the Plan should be revised and narrowed for clarity, ease of execution, and to support equitable distribution of program benefits to the neediest households throughout the state.

The CEC should revise the conditions for housing to qualify as low-income and/or disadvantaged to require that the applicant meet at least one of the following criteria:

1. The property must be located in a disadvantaged community designated by the California Environmental Protection Agency (CalEPA) using the CalEnviroScreen tool; or
2. The building occupant(s) must be eligible for California Alternate Rates for Energy (CARE).

Utilizing CARE eligibility standards is a more accurate and reliable method to determine "low-income" than AMI-based measures. CARE eligibility is determined based on household income and size and does not vary regionally. AMI-based measures like those currently included in the Plan take into account local cost of living to define lower income households within a specific region. The actual household income of eligible "low income" households in higher cost of living areas may greatly exceed that of a similar CARE-eligible household.

Using CARE eligibility to define low income thus directs funding toward lower income households and lower income communities. Using an AMI-based approach would have the unfortunate effect of shifting funds away from areas like the Central Valley or rural communities and towards easier-to-serve coastal urban areas.[2] This could reduce participation by customers in more extreme climate zones where electrifying larger heating and cooling loads would deliver greater greenhouse gas (GHG) reduction benefits.[3]

2. INCENTIVES

a. Climate zones, building types, building ages, and low-income communities of special interest should be defined more specifically.

The Plan notes that Decision (D.) 20-03-027, which established the framework and requirements for implementing BUILD, directs incentive disbursement to focus on specific climate zones with high heating and cooling loads, low-income residential housing, or specific building ages and types.[4] The CEC should issue more specific guidelines on this mechanism to provide the clarity needed to incent investment that will deliver the targeted program outcomes. Additional guidelines should specify the target climate zones by number, building ages, and building types.

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[2] Analysis conducted using monthly IOU Low Income Reports via CPUC Low Income Oversight Board, household income data from the 2018 5-year American Community Survey.

[3] CARE eligibility by county from monthly IOU Low Income Reports, California State Geoportal - California Building Climate Zones Map.

[4] D.20-03-027 at 67-69.

the CEC should also include specific definitions for low-income residential housing as noted above. However, focusing on specific target areas must be in line with overall program priorities: first, maximizing GHG savings, next maximizing low-income participation, and only then should other factors be considered.

b. BUILD should only incent technologies beyond what is required by the California Energy Code.

In Chapter 4, CEC staff seek comment on the proposal that BUILD should only incent technologies beyond what is required by the Energy Code. Cal Advocates agrees with this principle. Using BUILD funds to support code compliance – which would occur even without BUILD incentives – is duplicative and unnecessary.

c. More specific guidance on incentive layering is needed to ensure that Kicker incentives are not duplicative of other programs.

The Plan proposes "kicker incentives"[5] to incent more advanced technologies beyond the base requirements[6] and thus deliver greater GHG savings. However, these kicker incentives must be thoughtfully designed to avoid duplication with other incentive programs – for example, the energy storage kicker incentive[7] and the Self Generation Incentive Program (SGIP).[8] Ratepayers should not pay twice for the same unit of GHG savings. The Plan acknowledges the need for reasonable incentive layering, but more specific guidance will be needed to ensure incremental incentives deliver incremental benefits. This could include kicker incentive eligibility guidelines that prohibit or reduce these incentives for projects that have already received funding from certain other programs. CEC staff should coordinate and align with the upcoming CPUC Staff Proposal on incentive layering within the Building Decarbonization proceeding (Rulemaking (R.) 19-01-011).

3. CAPS

a. Incentives should be capped for individual developers.

Market transformation is one of the broader goals of building decarbonization pilot programs like BUILD. Achieving this goal will necessitate a variety of actors to develop experience with new technologies and practices so as to contribute to a longer-term expansion of the market for advanced, all-electric new homes throughout the state. Incentives should be capped for individual developers, in order to avoid concentrating experience and expertise among only a

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5 From the BUILD Implementation Plan: "Kicker incentives under the BUILD Program are additional incentives available to offset the costs of additional or more advanced technology and costs borne by the developer to support electrification that are not captured in the base incentive calculation. The additions to projects must contribute to additional GHG emissions reductions beyond the level used to calculate the BUILD base incentive technologies."

6 BUILD Implementation Plan, Chapter 4.

7 BUILD Implementation Plan, Table 4.2.

8 Self-Generation Incentive Program - https://www.cpuc.ca.gov/sgipinfo/.

few. Incentives spread across many developers will more effectively seed market transformation. With this in mind, BUILD funding should be distributed among no less than three independent developers.

b. Technical assistance should be capped for individual developers.

BUILD will include technical assistance for developers. Currently, the Plan proposes a per project cap on technical assistance but not a per developer cap. Cal Advocates disagrees with this approach; a developer-level cap should be included, especially for similar projects. Developer-level caps could be applied within categories – for example, single or multifamily, building types, climate zones. Developers should be able to apply lessons learned from technical assistance to their other similar projects, so additional technical assistance is not likely to deliver additional benefits.

4. CONCLUSION

The Public Advocates Office appreciates the opportunity to comment on the BUILD Program Implementation Plan and provide these comments to improve the program's eligibility criteria, incentives, and caps.

If you have any questions about the above proposals, please contact Ashlyn Kong at Ashlyn.Kong@cpuc.ca.gov or Shelly Lyser at Shelly.Lyser@cpuc.ca.gov.

Sincerely,

/s/ MICHAEL CAMPBELL

Michael Campbell

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